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*Proposed Counsel to the Official Committee*

**E-filed:** July 15, 2009  
**Hearing:** July 17, 2009, 1:30 pm

**IN THE UNITED STATES BANKRUPTCY COURT  
 FOR THE DISTRICT OF NEVADA**

In re:

**THE RHODES COMPANIES,**  
 aka "Rhodes Homes, *et al.*,"  
 Debtors.

Case No. BK-S-09-14814-LBR  
 (Jointly Administered)

Chapter 11

Honorable Linda B. Riegler

**COMMITTEE'S STATEMENT REGARDING  
 DEBTORS' PENDING MOTIONS TO EXTEND  
 EXCLUSIVITY AND ALLOW CONTINUED USE OF  
CASH COLLATERAL**

The Official Committee (the "Committee") of Unsecured Creditors of the Rhodes Companies, LLC, *et al.* (the "Debtors"), by and through its undersigned proposed counsel, respectfully offers its Statement Regarding the Debtors' Pending Motions to Extend Exclusivity [docket # 233] and Allow Continued Use of Cash Collateral [docket # 236]:

**STATEMENT**

The Committee supports extending exclusivity long enough to see if a consensual plan is possible. It believes the Debtors can show that its secured lenders are protected adequately to permit the continued use of their cash collateral in the meantime.

1 The Committee was formed six weeks ago, on May 26, 2009. It comprises subcontractors  
2 for and service providers to the Debtors. Its members have long histories with the Debtors. The  
3 Committee knows the Debtors' assets and operations very well. It knows the Debtors' residential  
4 building industry and market very well. It is active and independent.

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6 Soon after its formation, the Committee received a reorganization plan concept term sheet  
7 from the first lien lenders' steering committee. The document proposed a favorable treatment for  
8 unsecured creditors. More recently, the Committee received a plan concept term sheet from the  
9 Debtors' non-debtor affiliates. It proposed slightly more favorable treatment for unsecured  
10 creditors, and it addressed numerous plan points with increasing detail. The Committee has met,  
11 by conference call, with counsel for the Debtors and the non-debtor affiliates. It has raised with  
12 them its issues with their plan concept, including the treatment of the estate's self-insured  
13 retention construction defect insurance policies. The Committee looks forward to having similar  
14 discussions, in the near future, with the lenders' representatives. The Committee anticipates  
15 another round of term sheets, in short order, exploring feasible plan concepts in still greater detail.

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17 In the Committee's view, the present trajectory of negotiations is fairly well aimed toward  
18 a consensual plan. The Debtors' recent mediation overture is also a positive sign. Of course, it  
19 remains too early to tell if the negotiations will be successful. Nevertheless, in the Committee's  
20 view, this case is more likely to be cost-effectively successful if these negotiations are allowed  
21 and encouraged, rather than if rival plans are hastily filed and competitively prosecuted.

### 22 CONCLUSION

23  
24 The Committee supports extending exclusivity long enough – into September – to see if a  
25 consensual plan is possible. It believes the secured lenders will remain adequately protected  
26 during the meantime. It hopes the parties will agree on these points and present their agreements,  
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28

1 rather than press their differences, at the hearings on these issues that are scheduled for Friday,  
2 July 17, 2009.

3 Dated: July 15, 2009.  
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5 **PARSONS BEHLE & LATIMER**

6  
7 /s/ J. Thomas Beckett \_\_\_\_\_

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